

AR02



*expanding service*

**1960**  
*annual report*

**United Co-operatives of Ontario**

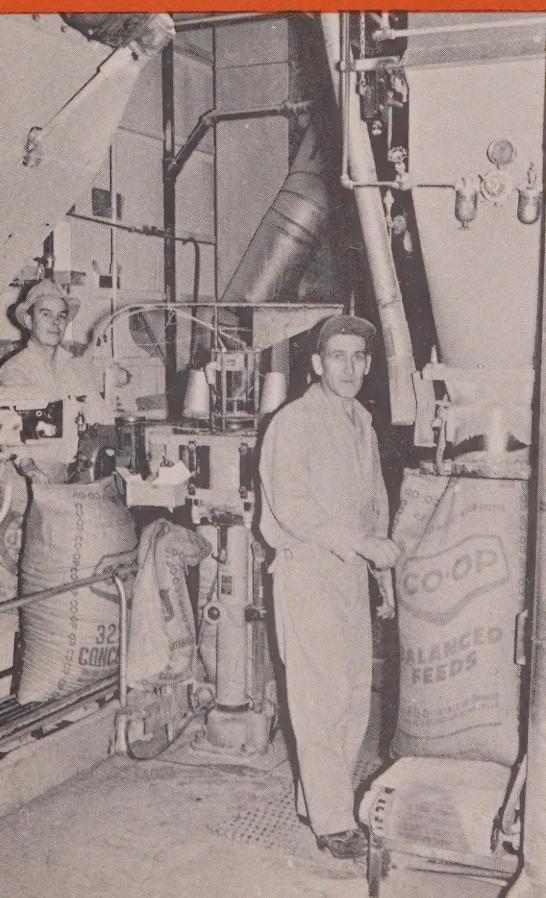
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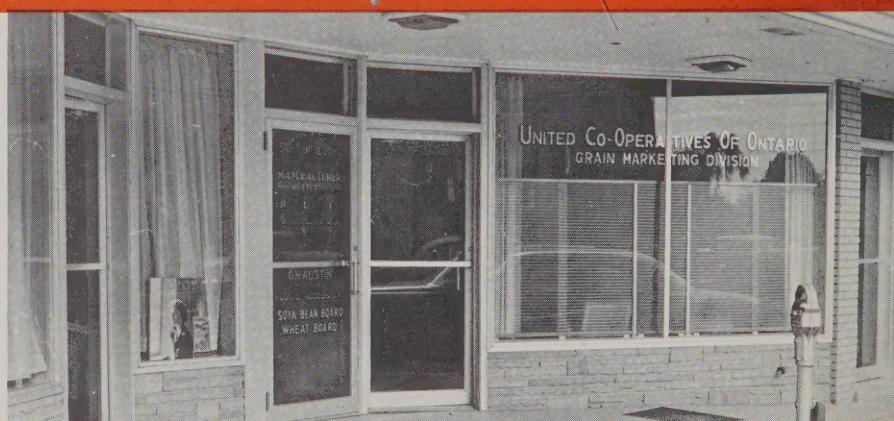
UCO Head Office, UDPC Head Office and cold storage, at 35 Oak St., Weston.



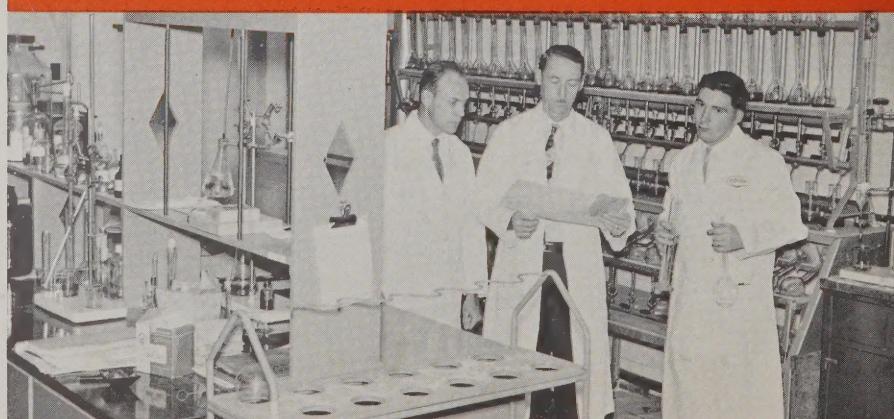
Electronic tabulating and accounting machines at Head Office provide modern, accurate record keeping.



Feed bag-off in Guelph Plant.



UCO Grain Marketing Division offices at Chatham.



Quality Control Laboratory in Guelph Feed Plant tests all feeds.

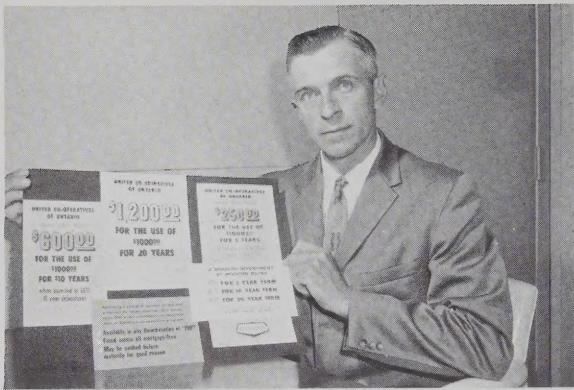


# your directors' report



**Alden McLean, Muirkirk, President:** The expanding opportunities of 1959 have developed into the new services of 1960. This is the year in which we pick up the load and feel the impact. Increases in the first year depreciation, taxes, insurance and interest charges reduce the possibility of earnings. At the same time new facilities acquired this year and late last year have not had time to produce volume sufficient to cover expenses.

Although net returns are less this year than last, the members of United Co-operatives have every right to feel pride in the accomplishments of their Central Wholesale. Much of the planning for 1960 was done in 1958 and 1959 but in a financial sense the weight of six new projects was borne by United Co-operatives in 1960. This was managed in the face of a stringent money market while still maintaining a strong balance sheet.



**T. R. Lougheed, Barrie, First Vice-President:** One of the problems in the operation of a business such as yours is the proper use of the proper amount of money. Having too much may be as wasteful as having too little. The capital investments this year entailed the use of a comparatively large amount. It was decided that one million dollars should be raised in the 10 month period from November to August. A six per cent interest rate was offered for debentures with maturities of 10 and 20 years. The objective was reached and exceeded approximately one month ahead of schedule.

The biggest single investment was Tend-R-Flesh poultry dressing plant. It was deemed necessary to build up volume in poultry feeds and to give primary producers some control and share in the earnings of the broiler and turkey business which is rapidly becoming vertically integrated to the exclusion of producer control. Tend-R-Flesh is a wholly-owned subsidiary of United Co-operatives, designed to work in harmony with both UCO and UDPC.



**H. S. Forrester, Mallorytown, Vice-President:** The next project in point of size was the new Weston Road warehouse and office building. This represents an investment of roughly \$700,000. The increase in Supplies Division volume caused partly

by the stores program was jamming the Oak Street Buildings. The alternatives were build or buy. A new building comparable to what we have on Weston Road would have been much more expensive. The new warehouse is now beginning to prove its worth. Supplies volume is increasing. United Co-operatives is able to render service to its members with correspondingly better chance of savings. There is also increased office space for UCO and some associated organizations.



**J. E. Nephew, Woodstock, Director:** For some time two other problems had been receiving attention. One was the necessity of becoming more basic in the manufacture of commercial fertilizers. The other was the necessity of increasing the small share we had in the total sales of tobacco fertilizers. Our solution to these two problems was to build a fertilizer plant at Tillsonburg. By going one step further into the manufacturing process, your co-operatives can always be competitive to protect your interest, and can provide crop fertilizer for the tobacco grower. At the same time, a more balanced operation is provided our Agricultural Chemicals Department.

Another new service is Metro Co-op which provides fuel oil service to 1,300 patrons in Toronto with possible expansion to other cities of Ontario. In this program, your Central Wholesale is working closely with leaders of credit unions and co-op insurance policy holders. This service aims to recruit urban dwellers into the ranks of co-operators and follows the lead of Co-op Insurance in spreading areas of agreement between farm producer and city consumer. During the summer, Metro expanded to Hamilton and service is now being provided to 200 families in that city. Metro fuel oil service is provided by three new-type tankers and three service trucks which carry the Co-op Sun Glo banner to all parts of Metropolitan Toronto and Hamilton.



**J. Crutchley, Durham, Director:** To carry out the basic aim of improving the economic welfare of Ontario people requires a satisfactory network of retail outlets across the province. The spontaneous development of local co-ops had left some blank spots. Two of these were Listowel and Kingston. Two other locations, Drayton and Kincardine had co-operatives which needed transfusions. New retail units were set up in these four places. The capital outlay is being repaid to United Co-operatives on a budgeted basis and in the meantime two important things are happening. First, the farmers and town people are enjoying the benefit of Co-op quality and service and are building ownership of the facilities which serve them. Besides that, the extra volume passing through United Co-operatives makes increased earnings possible for all UCO members.

Several other new building projects have been or are being undertaken by some of the local co-operatives as well as the establishment of new branches.

Model home courtesy of Clifford & Lawrie, Toronto architects



**A. H. K. Musgrave, Clarksburg, Director:** Co-operative Construction Services Limited is an organization parallel with UCO devoted to a specialized service in engineering and construction for individual co-operators, for local co-operatives and for senior citizens. Co-operative Construction Services Limited is prepared to give assistance to any of the members of United Co-operatives who

may contemplate the building of new facilities or the remodelling of old buildings. In a Housing for Senior Citizens project, Co-operative Construction Services Limited is working with service clubs, veterans' organizations, municipalities and government, and is the only provincial organization ready to take a share in this undertaking.

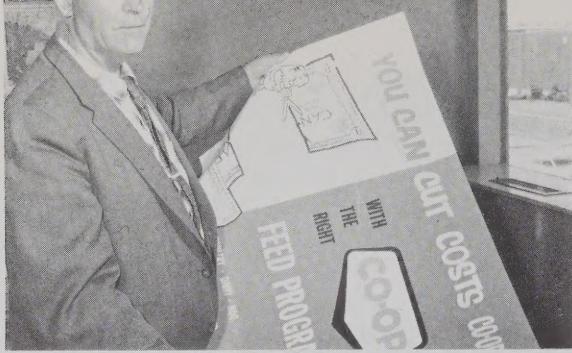
To provide appropriate legal and financial structure for sponsoring apartment buildings for senior citizens, UCO has incorporated a subsidiary, Twin Pines Apartments, Limited, in which UCO provides one per cent of the total financing. We believe this is a desirable social and public project.



**E. Whelan, Amherstburg, Director:** Special attention was given to various fields of marketing of farm products. United Co-operatives rendered assistance to several separate co-operative and marketing groups who had special problems. A study was made of livestock marketing throughout Ontario and North America. This study aids in planning the future course for the livestock marketing activity of UCO.

The growing popularity of the auction method of selling for livestock caused the Board of the Toronto stockyards to institute this method of sale three days a week at Toronto. UCO has co-operated with this program and modified its operations accordingly. This move entails UCO having the use of a special auction ring at the Toronto yards and employing auctioneers.

The continued growth of the volume of grain marketed through the Grain Marketing Division has indicated the importance of this service. However, the lack of storage has continued to limit the co-operative service to the unprofitable function of brokerage. Future developments await the action of the grain commodity groups whose decisions will generally direct future activities in this important field. United Co-operatives continues as the sales agency for the Ontario Wheat Producers.



**C. Hopkins, Haileybury, Director:** Before 1959 was half over, there were signs indicating that feed volume was going to be somewhat below the unusual peak of the previous year. Undoubtedly part of the cause was the reduced feeding due to the lower price of eggs and hogs. A good spring grain crop in Ontario could also have been a contributing factor. One of the steps taken to correct this situation was the plan which made it possible for local co-ops to serve large farmers who required bulk service. By this arrangement, United Co-operatives took the risk of supplying credit in larger amounts than would be possible for a local organization, arranged for direct delivery in bulk and still provided for an earning by the local. This earning increased accordingly to the amount of service provided by the local. Encouragement was given to local co-operatives to instal bulk handling facilities of their own.

A research department has been established in the Production Division. For the present the work is limited to feeds, seeds and fertilizers. This work is in addition to what is done in the laboratory at the Guelph feed mill where there is a continuing program of feed analysis.



**D. E. Stauffer, Bright, Director:** Directors of local co-operatives showed such keen interest in

the Semi-Annual Reports which were given in 1959 that this practice was repeated in 1960. It is the belief of your Board that a close contact with local co-operatives is necessary to ensure the success and security of our co-operative structure.

United Dairy and Poultry Co-operative and Co-operators Insurance Association with its companion CIA Life, are three notable provincial companions of UCO. The oldest of the three, CIA is now a powerful factor in the insurance business standing fourth among the writers of automobile insurance in Ontario. United Dairy and Poultry has completed its second year in a good position with a volume increase over 1959 in marketing. CIA Life is just over a year old and has total insurance in force of \$4½ million.

## THE FUTURE

Perhaps something may be said of the year on which we are entering. Plans are underway for a comprehensive survey of capital requirements and modern methods of finance. The cost of money should not be allowed to be a burden on your company nor should progress be retarded because of any lack. If economies are possible, your directors intend to see that they are put into effect. The debenture program is being carried on again this year. The budget for 1960-61 calls for expanded use of all the facilities owned by you. These facilities are the best that could be built or bought. The ideal which we represent requires not only the building of facilities but the building of people. Accordingly, your staff is the result of careful selection and development and is composed of able men and women of whom we are proud.

We believe in the soundness and in the moral value of mutual self-help. We believe that the practice of co-operation in the business world is justifiable from any point of view. We believe that through the practice of co-operation, we can influence the ebb and flow of business trends for the farmers' good and we move with confidence toward our objectives.

"The future is a world limited by ourselves."  
— Maurice Maeterlinck.

*Alden M. Lean*  
President



Leonard Harman, GENERAL MANAGER

# your general manager reports



UCO Head Office, 35 Oak Street, Weston

Last year the theme of UCO Annual Report was "Expanding Opportunities" while this year it is "Expanding Services". We grasped the opportunities and we are prepared to provide the services for increasing volume with more and larger patrons. Partly related to the expansion of the past year, we face additional expenses not yet balanced by further volume and gross earnings to result in favourable net. We look forward to 1961 as a year of volume building and adaptation; and we plan for the second year in the organization's history with a million dollars of net earnings.

Going back a few years to 1956, with the new Guelph feed plant, Weston head office and cold storage, and Stratford fertilizer plant, UCO reported capital investment of a million and three quarters, which was twice as great as in any previous year. While the capital investment during the past fiscal year is listed again at a million and three quarters, the "load" of new facilities added in a little over a year, is some three million dollars or nearly twice that of 1956. This load entails a

U.C.O. NET EARNINGS BEFORE INCOME TAXES\*

## actual annual net

THREE YEAR AVERAGES ENDING IN YEAR SHOWN

THOUSANDS

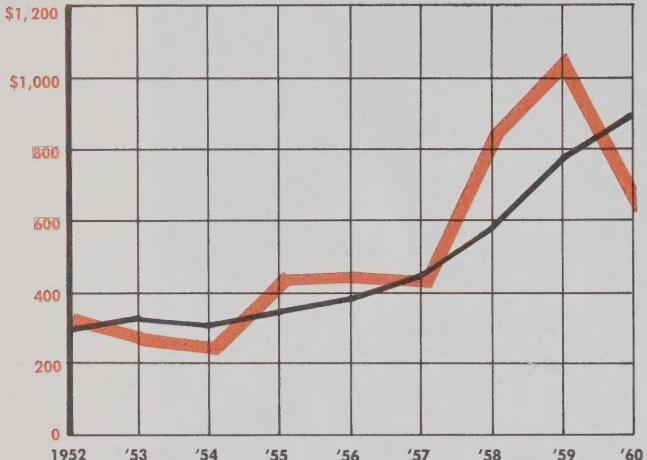


CHART I

U.C.O. DISTRIBUTION VOLUME\*  
(PRODUCTION AND SUPPLIES DIVISIONS ONLY)

## actual annual volume

THREE YEAR AVERAGES ENDING IN YEAR SHOWN

MILLIONS

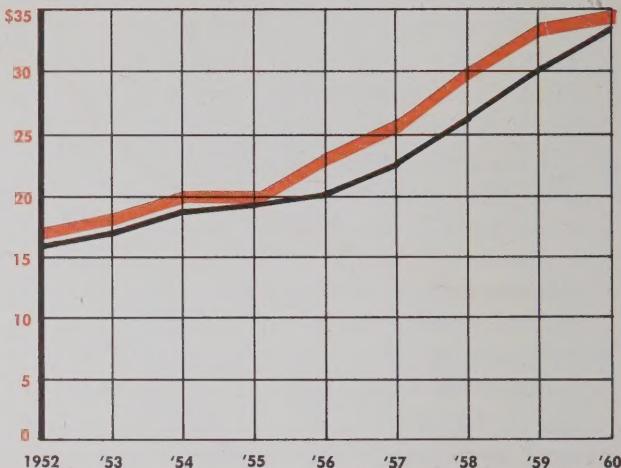
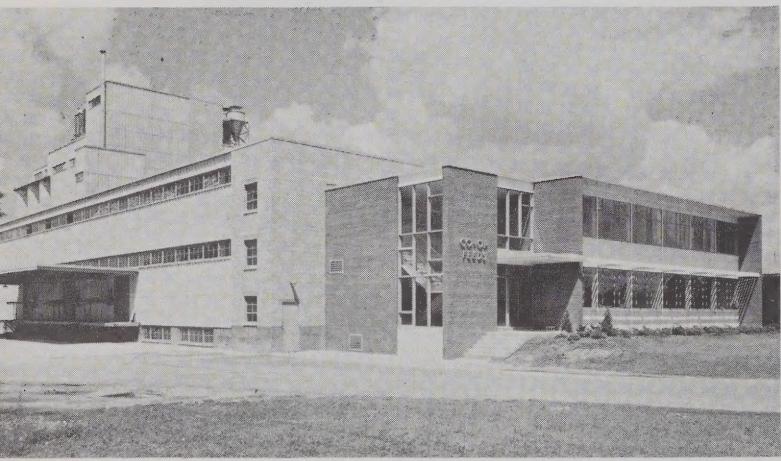


CHART II

\*These four charts do not include operations of Dairy and Poultry Division of U.C.O. no



Feed Plant and offices at Guelph

Stratford fertilizer plant



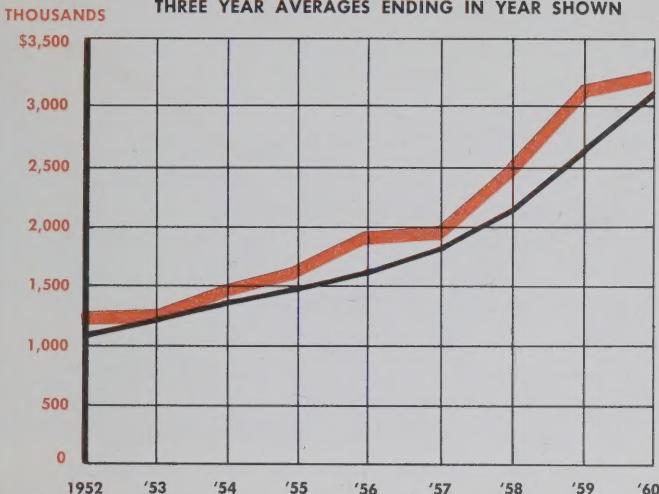
great deal of additional administration, expense and financing.

The Directors' Report presents six major new undertakings: Tend-R-Flesh, Weston Road, Tillsonburg, new locals, Co-op Construction and Metro. We say to Ontario Co-operators: "Come and see your new facilities. You've got some new plants to be proud of. Visit Weston or Tend-R-Flesh or Tillsonburg. Take a look at some of the new local mills and modernized stores. Come and watch your livestock men supervising your cattle through the Toronto auction. Consider modern electronics flipping through the accounting cards in tabulating. See broilers processed at one a second; and eggs candled by the dozens, instead of one at a time. View one of the largest office buildings in London, which through CIA you may call your own. Appreciate the attractiveness and impressiveness of your properties. Realize that all this is no idle show, but modern, efficient, economical units designed to serve you well for years to come."

One downward pressure on volume and earnings, particularly in feed, was the unfavourable situation in farm prices when eggs hit 18 cents and hogs 19 cents last winter. While we ordinarily think of fertilizer and petroleum as giving variety to a diversified program, the bad weather last spring prevented projected increases in both. Of course there is the problem of increasing expenses, some controllable and some beyond our powers. Then there is the extent of the long-term program

**actual annual gross**

THREE YEAR AVERAGES ENDING IN YEAR SHOWN

**CHART III**

U.D.P.C. later. Charts I, III and IV include Tend-R-Flesh figures for six months of 1960.

we are building in these six projects and in many other respects.

If one plants mushrooms the harvest comes quickly. If one is to grow apples or maples or men, the days and months stretch into years. Without abandoning the larger plans for the future, it may prove expedient to grow more mushrooms, or at least radishes, which require so much less faith between seedtime and harvest.

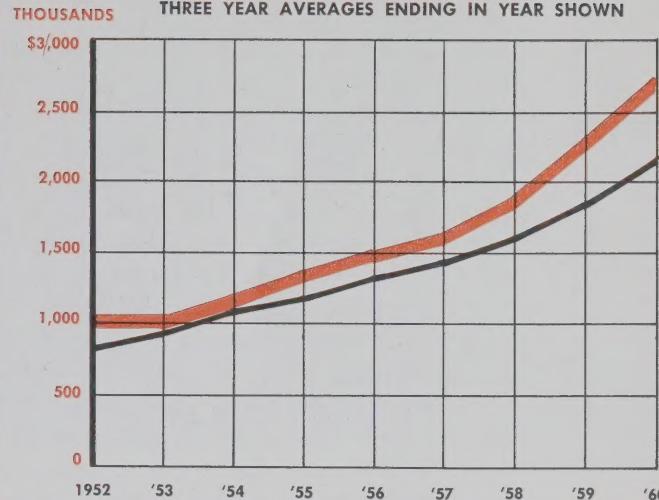
All of the above six new projects required planning in 1959 and planting in 1960. None of them had an opportunity to yield much in 1960. We look for harvest in 1961 and succeeding years. Indeed as UCO becomes larger, and until we can spread major products more evenly across the years, we get a more accurate picture of the trend by viewing earnings averaged for three year periods as we have done in the first chart.

The second chart shows volume of distribution only (originating in Production and Supplies Divisions), as cattle prices and grain volume can influence dollar volume profoundly in these marketing divisions with less effect on gross earnings. Distribution volume jumped \$8,631,000 or 33.7% in the two year period of 1958 and 1959 then levelled out somewhat with an increase of \$885,000 or 2.6% in 1960.

In the third chart we see that the number of dollars of gross earnings more than doubled in four years from \$1,396,204 in 1954 to \$3,204,095 in 1959 or an increase of 130%. This has more than kept pace with volume so that the rate of gross

**actual annual expenses**

THREE YEAR AVERAGES ENDING IN YEAR SHOWN

**CHART IV**

earning on distribution was 7.2% in 1954, and 11.2% in 1960. This means that UCO is doing more of the job for the farmer or other patron. It involves more manufacturing and warehousing and taking more responsibility on distributing petroleum or supplies. The fact that UCO grain volume increased greatly this year while feed manufacturing was lower, temporarily has an opposite affect on percentage of gross margin.

The fourth chart on expenses shows considerable increase continuing in 1960. Eternal vigilance is required on expense control, and all administrators are faced with innumerable decisions, among those items which should yield adequate returns and those which represent waste or extravagance or inefficiency. But much of the increase relates to the new major projects. Some of it represents investment in programs to use more extensively in the future, not only the new plants and warehouses, but all of UCO facilities. There are many inter-relationships in Ontario's co-operative programs. The largest is work by the regional organization to assist retail sales of Co-op brand goods through the local co-ops, with automatic volume in wholesaling and manufacturing. Another is the new relationship between Tend-R-Flesh and Co-op feed.

Reduced feeding programs last winter from the unusually high levels of the previous year and growth of basic premix pulled UCO feed below the unusual levels of 1959. However, we are confident that the position of Co-op feed in the

province, which climbed from representing 24% of the Ontario total in 1958 to 25% in 1959 will continue to show further percentage gains in 1960 and 1961. A special drive on feed volume in the Spring and more retail effort generally has yielded encouraging results through some locals. UCO volume increased seven per cent in a difficult year in the petroleum industry. Further planning of procurement is replacing lines yielding very low margins with others which have better opportunities of earnings. With the larger warehouse and some 40 local stores now modernized, the 10% increase this year in electrical, hardware, automotive and propane should start a major supplies trend on a greatly expanded variety of lines, with worthwhile margins at both retail and wholesale.

Among significant trends in distribution is that of bulk handling reaching 25% of the volume from the three UCO feed plants and being available with Co-op feed at 45 retail points. Bulk handling in Co-op fertilizer from UCO plants is well begun. Another area receiving more attention is research on products and product use and more planning on product selection and development.

A reduction in the dollar value of livestock marketed indicates the drop in cattle prices; there was an increase in the number of head marketed by UCO, and in the proportion of the volume at Ontario Stockyards handled by UCO. While it is early to appraise the effect of the new auction selling introduced by Ontario Stockyards, present indications are for a larger proportion of Ontario cattle going through Toronto yards and an increase in the proportion handled by UCO. Volume was higher than any previous year in grain marketing, but gross was not sufficient to produce

*Metro Consumer Co-op trucks serve Toronto and Hamilton districts*

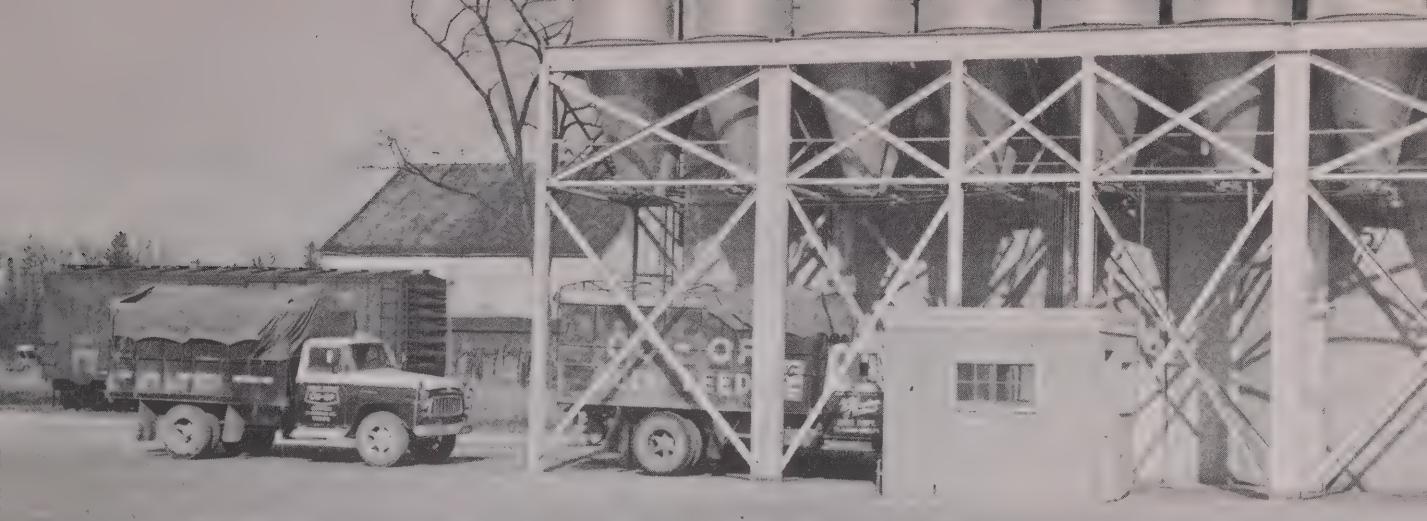


a net earning. Programs are under way for further increase in volume in both these marketing divisions.

During the year special business services were provided for the Peach Growers organization, for other commodity organizations, and for certain local marketing co-operatives. UCO is assisting United Dairy and Poultry Co-operative with modern mechanized egg marketing at Weston. However, we still find difficulty in projecting developments in marketing business with prospects of the earnings necessary for successful operations and growth. This is particularly perplexing in view of the needs and demands for ownership by Ontario farmers of more business operations in marketing.

Developments through the past 20 years, of what is now UCO and the local co-ops that operate as associated retail units, have majored in supplies for farm production with emphasis on bulk lines like feed, fertilizer and gasoline. Production supplies for farmers continue to represent the largest part of UCO distribution volume and to occupy the centre of the stage for planning by Board and Management. But the store supplies lines, beginning with twine some 40 years ago, are broadening into quite a comprehensive range of hardware, automotive, electrical, livestock and poultry supplies, plus lawn and garden. Existing local co-ops are going after the farm family as a consumer. They're starting the villager or townsman on fuel oil, then offering him refrigerators and lawn grass seed. In the urban and suburban horseshoe stretching from Oshawa to Niagara live some two million people, a third of the population of Ontario, a tenth of that of Canada or about as many people as in the Prairies or the Maritimes. Two thousand of these families will use Co-op fuel oil this winter through an organization called "Metro" while next steps are investigated on how best to provide consumer service in this area of such great potential.

New major projects have increased capital requirements greatly. Not only are there the fixed assets, but "becoming more basic" in fertilizer manufacture requires more inventory for longer periods. In seasons when distribution exceeds a million dollars a week, one must have appropriate inventory and receivables. The need for extended credit for the production period and on consumer goods is increasing. In the long run we shall require much more planning of financing for the individual purchaser, for the local co-op, and for



*Bulk feed handling, Guelph Feed Plat*

UCO. UCO continues a program like that of last year, using a quarter of annual earnings after taxes and reserves for cash patronage returns, a quarter for revolving shares from earnings of eight years ago, and half for a net increase in common shares. We sold a million dollars more debentures in 1960 and have plans for another million in 1961. The balance sheet at the end of September shows inventory and receivables at one of the lowest points of the year; our budgets project inventory at double this figure in the winter and receivables up 50% in the spring. Of course bank loans play an important part in these seasonal fluctuations. Some of us believe that when planning our financing in the future, we should consider devoting a larger proportion of earnings to general reserves.

After some years of introduction, all UCO managers are participating quite effectively in budgeting. While procedures will still improve, the UCO management group would be lost without budgets. This goes for both operating statement and balance sheet. We urge more budgeting in more local co-ops.

Every month brings evidence of further co-ordination of the program on farm supplies and consumer goods, a program involving interrelated retailing, wholesaling and manufacturing. The local co-op finds its place on Main Street with the interdependent grocer, the interdependent hardware, the interdependent druggist, the service stations with their brand names, the branch bank, and the Post Office. The wholesale department finds fresh evidence that it must co-ordinate with retail realities. Two more stores are modernized. The sixty-sixth co-op signs a petroleum contract. Another uses co-op feed contracts or the budget plan on electrical. There is planning of a new retail branch at Woodslee or Straffordville or Galt or

Schomberg. The Advertising Manager spends the day on a local advertising budget. A hundred co-ops swing into the Fall Sale, or the Spring Sale, or area meetings for directors, managers or retail department managers. Somebody looks not only at one fire, but five fires this year hundreds of miles apart; that's too many, so CIA and UCO arrange further protection through safety engineering. New mills or stores or warehouses bear the mark of Co-operative Construction Services, combining modern design and value in facilities. Directors and staff start thinking of co-op volume, gross and net in retail, marketing, construction, insurance and finance as well as wholesaling and manufacturing.

One important factor in co-operators co-operating, as well as each going about his individual job with clearer perspective, is the most recent project of our personnel program. For 10 years, UCO has built a more modern program on selection, development, relationships, policies, job evaluation and wages and salaries. This year, UCO has begun special work in the forefront of modern clarification of jobs and establishing standards of performance as a basis for judging results. As this program progresses it will not only form a more adequate basis for promotions, replacements and changes in jobs and salaries . . . it will give to each staff member a new approach to developing himself or herself for doing a job and living a life. Already those managers who have been working with this program find not only new possibilities in the job, but improved relationships and fuller satisfactions in the co-operative movement.

*Leonard Harman*  
GENERAL MANAGER



*Weston Road warehouse and office building*



*Weston warehouse has plenty of space for easy handling*

# "objectives of united co-operatives of Ontario"

The United Co-operatives group consists of a number of organizations with United Co-operatives of Ontario majoring in manufacturing and distribution of farm supplies and consumer goods and assisting and co-ordinating many other co-operatives in the Province.

A co-ordinated retail programme is carried out through 150 local co-operatives through which seventy thousand members own and control UCO. Closely associated in the United Co-operatives group are:

Co-operators Insurance Association  
United Dairy & Poultry Co-operative  
Tend-R-Flesh Limited  
Co-operative Construction Services  
Twin Pines Apartments Limited

United Co-operatives performs or arranges functions in wholesaling, procurement, manufacturing, processing, retailing, marketing and services.

The general objective of United Co-operatives of Ontario is to improve the economic and general welfare of as many people in Ontario as can be served co-operatively. Specific objectives are listed as follows:

1. To provide supplies and services for members of co-operatives and of associated organizations, giving the greatest possible value at the lowest possible end cost consistent with appropriate quality and service.
2. To manufacture or process supplies and equipment when such operation is justified for providing better quality and value, improving sources of supply or making savings.
3. To develop a co-ordinated, integrated program of retailing, wholesaling and manu-
- facturing under the control of and for the service of the users of the products.
4. The work with other Regional and Inter-Regional co-operative organizations, where such is practical, and thereby consolidate and strengthen co-operative development.
5. To explore, develop and operate orderly programs in marketing and processing of selected farm products, integrated with the purchasing of related production supplies and when necessary, stabilized by contracts with producers.
6. To work with commodity marketing organizations in furthering their general objectives and in providing as much assistance as possible on business operations.
7. To act as a sponsor and trustee for the development of a co-operative service on insurance throughout rural and urban areas of the province, including programs for automobile, casualty, fidelity and life.
8. To develop a construction program on co-operative facilities, family houses, apartments and farm buildings.
9. To give leadership in extending co-operative service to urban people.
10. To support and participate in general farm organization, promoting improved policies for agriculture.
11. To assist and develop adult education, with particular reference to a more co-operative society.
12. To contribute to the development of a progressive thinking people who practice democracy and world brotherhood.

# representative control and patron ownership of United Co-operatives of Ontario

**70,000 MEMBERS**

**150 LOCAL CO-OPS**

**450 DELEGATES**  
to UCO annual meeting

**4 DIRECTORS**  
on co-operators  
insurance association  
board

**9 DIRECTORS**  
(also serving as board of  
tend-r-flesh Ltd. and co-operative  
construction)

**2 DIRECTORS**  
on united dairy and  
poultry co-operative  
board

**UNITED CO-OPERATIVES OF ONTARIO**  
**MANAGEMENT**



*Tend-R-Flesh Limited, poultry processing plant at Petersburg*

# tend-r-flesh limited

At the annual meeting last year announcement was made of the purchase by UCO of one of the largest processing businesses in Ontario for broilers and turkeys. A year earlier a well-known firm of business consultants had conducted a study for UCO of the broiler field. Later a careful appraisal was made of the Tend-R-Flesh facilities and operations at Petersburg.

Effective February 1, UCO commenced operation of this business through a subsidiary corporation, Tend-R-Flesh Limited. Since UCO provided the purchase price of \$800,000 and all other initial financing, it retains basic control. However every effort is being made to operate on a co-operative basis with patrons becoming Preferred Shareholders and electing an advisory committee of producers. Plans are established for patronage returns to producers when earnings justify such.

The first fiscal year of Tend-R-Flesh Limited

ended in July with six months of operations. This first period of the new project proved a difficult one in which the co-ops found it necessary to struggle for volume even with narrow margins. Operations showed a loss of \$113,000. Since July, volume has improved greatly on both marketing through Tend-R-Flesh and on Co-op feed for broilers and turkeys; but gross margin still is low.

In order to show a proper picture the financial statement of Tend-R-Flesh is consolidated with that of UCO proper. This results in a reduction in earnings and absorbs \$113,000 of UCO reserves. To replenish these reserves it is necessary to pay larger income tax than formerly.

Tend-R-Flesh now is established as an important part of the Ontario Co-operative program, in the forefront of agricultural integration under farmer control, providing modern service in marketing and substantial strength in Co-op feed.



New Co-op mill and retail store at Listowel



Inside Listowel Co-op store



Tillsonburg fertilizer plant

Model home by Co-op Construction Services Limited





# co-ops join for expanded service

This is a story with a happy ending. Most fairy stories have a happy ending, but this isn't a fairy story . . . it is the actual story or case of two local farm supply co-operatives in Ontario which were joined together in 1960 to provide more efficient and expanded services to members and all farmers in the area. The ending is happy because the directors of the two co-ops have achieved their objective.

Some time ago, directors of the Mt. Forest Co-operative reviewed future prospects for their co-op. They saw the possibility of their business and the Harrison District Co-op business growing and eventually overlapping, with resultant duplication of services in a small area, which would mean waste of money and effort. The Mt. Forest Co-op had about \$200,000 annual volume of business, and was successful as a small co-op business. In order to provide its members and patrons with the services they wanted, the directors would have to spend about \$30,000 for mill alterations, bulk feed equipment, seed cleaning equipment, and so on.

At Harriston, directors of the co-op had just spent a considerable sum for improvements to the feed mill, which had an annual volume of business amounting to approximately \$600,000. As is the case in any business when facilities are improved, the directors looked ahead and installed equipment which would service more members and patrons than they actually had in the co-op at the time. Consequently, when they heard about Mt. Forest directors considering the future of the two co-ops, they were interested enough to study the matter too.

Both boards appointed committees, to meet singly and jointly, to study the advantages and disadvantages of the co-ops joining together. Eventually the committees made recommendations to their boards and joint board meetings followed. The question of joining together was eventually put to the memberships and received a two-thirds majority vote in favor from each. The Harrison charter was used, and the name changed to North Wellington Co-operative Services.

As expected, the results are shown in improved and expanded service to members and patrons of both co-ops. Mt. Forest patrons can now get bulk feed service out of the Harriston mill, something which Harriston patrons had before the co-ops joined. The Mt. Forest facilities provide balanced hog feeds and custom mixed feeds. Mt. Forest members did not have to provide a large sum of money to get this improved service, and Harriston facilities are used to greater and more efficient capacity with the increase in bulk feed users. Farmers can get petroleum, propane, seed cleaning service and many other services now without the duplication of effort which directors of both co-ops foresaw. In short, the two co-ops joined for expanded service for more farmers, and in doing so they saved money. They also gained new members who joined the co-op because of the broader service.

This is one story of co-ops which joined together last year. There are others, such as Guelph, Fergus, and Belwood Co-ops which joined together for improved and expanded services; and some co-ops are presently considering such a move for the future.

# United Co-operatives of Ontario

and its wholly owned subsidiary, *Tend-R-Flesh Limited*

## consolidated balance sheet

at 24th September, 1960

(with comparative amounts at 26th September, 1959)

| ASSETS   | 1960         | 1959         |              |
|--|--------------|--------------|--------------|
| <b>Current assets</b>  |              |              |              |
| Cash on hand and in bank .....   | \$ 16,958    | \$ 1,271,138 |              |
| Accounts receivable  |              |              |              |
| Members .....  | \$ 2,903,101 |              |              |
| Non-members .....  | 1,036,592    |              |              |
|  | 3,939,693    |              |              |
| Less: Allowance for bad debts .....  | 99,302       |              |              |
|  |              |              |              |
| Mortgages receivable — current portion .....   | 3,840,391    | 3,039,495    |              |
| Merchandise inventories, valued at the lower of cost or market .....                           | 108,730      | 58,730       |              |
| Prepaid expenses and supplies .....  | 2,416,431    | 1,992,247    |              |
|  | 149,144      | 113,120      |              |
| Total current assets .....   | 6,531,654    | 6,474,730    |              |
| <b>Investments — at cost</b>   |              |              |              |
| United Dairy & Poultry Co-operative Ltd.   |              |              |              |
| First mortgage .....   | 1,074,794    |              |              |
| Debentures .....   | 490,000      |              |              |
| Shares .....   | 10,000       | 1,574,794    |              |
|  |              |              |              |
| Deferred accounts receivable, members, secured, less allowance of \$32,500 for bad debts ..... | 464,179      |              |              |
| Property and equipment used by member locals .....   | 248,297      |              |              |
| Investment in non-consolidated subsidiaries (Note 1) .....                                     | 234,050      |              |              |
| Loans to other co-operatives .....   | 169,838      |              |              |
| Shares in other co-operatives .....  | 126,572      |              |              |
| Mortgages .....  | 16,996       |              |              |
|  |              |              |              |
| <b>Property and equipment</b>  |              |              |              |
|  | ACCUMULATED  |              |              |
|  | COST         | DEPRECIATION | NET          |
| Land .....   | \$ 270,239   |              | 270,239      |
| Buildings .....  | 3,180,650    | 389,659      | 2,790,991    |
| Machinery and equipment  | 2,947,914    | 883,655      | 2,064,259    |
| Automobiles and trucks   | 506,252      | 241,591      | 264,661      |
| Additional depreciation  |              | 543,611      | (543,611)    |
|  | \$ 6,905,055 | \$ 2,058,516 |              |
|  |              |              |              |
|  |              |              | 4,846,539    |
|  |              |              | 3,481,530    |
|  |              |              | \$14,212,919 |
|  |              |              | \$12,534,144 |

This is the balance sheet referred to in our report dated 11th November, 1960.

Ward, Welch, Hall, & McNair

Approved on behalf of the Board:

A. McLean, Director

R. Lougheed, Director

## LIABILITIES AND MEMBERS' EQUITY

1960

1959

### Current liabilities

|   |                  |                  |
|---|------------------|------------------|
| Bank advances — secured .....               | \$ 2,392,354     | \$ 2,507,278     |
| Accounts payable and accrued expenses ..... | 1,916,992        | 2,041,221        |
| Loans payable on demand .....               | 290,000          | —                |
| Loans payable, due within one year .....    | 300,000          | —                |
| Debentures payable on demand — 4% .....     | 284,400          | 223,725          |
| Debentures 4%, due within one year .....    | 44,600           | 99,350           |
| Income tax payable (Note 2) .....           | 80,976           | 44,447           |
| <br>Total current liabilities .....         | <br>\$ 5,309,322 | <br>\$ 4,916,021 |

### Long term debt

|                              |             |           |
|------------------------------|-------------|-----------|
| Debentures                   |             |           |
| 4% due 1962-1969 .....       | \$ 58,700   |           |
| 4½% due 1962-1969 .....      | 193,450     |           |
| 5% due (1965-1979) .....     | 3,119,450   |           |
| 6% due 1970-1980 .....       | 1,331,550   | 4,703,150 |
| <br>Loans payable — 6% ..... | <br>159,220 |           |
|                              |             | 4,862,370 |
|                              |             | 3,722,000 |

### Members' equity

|   |               |              |
|---|---------------|--------------|
| Capital Stock   |               |              |
| Authorized: 600,000 co-op common shares of a par value of \$10 each redeemable at \$10, less 78,216 redeemed — \$5,217,840          |               |              |
| Issued and outstanding: 280,969 shares including 66,989 issued during the year for cash, less 17,874 redeemed during the year ..... | 2,809,690     |              |
| Contributed surplus — unchanged .....   | 82,248        |              |
| General Reserve   |               |              |
| Balance 26th September, 1959 .....  | 466,756       |              |
| Add: Net savings for the year ended 26th September, 1959 .....  | 1,028,579     |              |
| <br>Deduct: 1959 patronage returns .....  | <br>1,495,335 |              |
|   | 922,524       | 572,811      |
| <br>Net savings for the 52 weeks ended 24th September, 1960 before patronage returns .....  | <br>576,478   |              |
|   |               | 4,041,227    |
|   |               | 3,896,123    |
|   | \$14,212,919  | \$12,534,144 |

### Commitments and contingencies

|   |           |            |
|---|-----------|------------|
| Commitments for purchase of fixed assets .....                  | \$ 23,202 | \$ 335,000 |
| Guarantees on loans — secured .....                             | 465,900   | 424,000    |
| Common shares to be redeemed .....                              | 161,850   | 168,540    |
| Uncalled balance subscribed for in shares of subsidiaries ..... | 233,300   | 232,750    |

# United Co-operatives of Ontario

and its wholly owned subsidiary, Tend-R-Flesh Limited

## consolidated statement of operations

for the 52 weeks ended the 24th September, 1960

(with comparative amounts for the period from 1st October, 1958 to 26th September, 1959)

|   | 1960         |        | 1959         |        |
|---|--------------|--------|--------------|--------|
| <b>Total volume</b>   | \$65,591,380 |        | \$64,598,289 |        |
| Less: Livestock handled   | 25,705,857   |        | 27,562,516   |        |
| <b>Sales</b>  | 39,885,523   | 100.0% | 37,035,773   | 100.0% |
| <b>Cost of goods sold</b>   |              |        |              |        |
| (Including \$267,291 depreciation in 1960,<br>\$192,230 in 1959) (Note 3) | 36,718,269   | 92.1   | 33,962,362   | 91.7   |
| <b>Gross margin</b>   | 3,167,254    | 7.9    | 3,073,411    | 8.3    |
| <b>Commissions</b>  |              |        |              |        |
| Livestock   | 223,306      | .6     | 224,111      | .6     |
| Grain marketing   | 9,619        | .0     | 19,977       | .1     |
|   | 3,400,179    | 8.5    | 3,317,499    | 9.0    |
| <b>Selling, general and administrative expense</b>                        |              |        |              |        |
| Depreciation (Note 3)   | 256,303      |        | 253,591      |        |
| Directors' fees   | 12,985       |        | 12,620       |        |
| Interest on long term debentures  | 218,816      |        | 190,708      |        |
| Interest on short term loans  | 171,290      |        | 55,117       |        |
| Other expenses  | 2,116,678    |        | 1,765,703    |        |
|   | 2,776,072    | 7.0    | 2,277,739    | 6.2    |
| <b>Savings from operations</b>  | 624,107      | 1.5    | 1,039,760    | 2.8    |
| <b>Other income</b>   |              |        |              |        |
| Investment income   | 80,917       |        | 49,973       |        |
| Sundry  | 6,454        |        | (6,154)      |        |
|   | 87,371       | .2     | 43,819       | .1     |
| <b>Income taxes (note 2)</b>  | 711,478      | 1.7    | 1,083,579    | 2.9    |
|   | 135,000      | .3     | 55,000       | .1     |
| <b>Net savings for the period, before patronage<br/>returns</b>           | \$ 576,478   | 1.4    | \$ 1,028,579 | 2.8%   |

See the accompanying notes to these financial statements.

# WARD, WELCH, HALL & MCNAIR

Chartered Accountants

6 HAYDEN ST. - TORONTO 5 - ONTARIO - TEL. WA. 1-1115

GEOFFREY H. WARD, C. A.  
CHARLES R. WELCH, B. A., C. A.

A. DOUGLAS HALL, B. COM., C. A.  
D. KEITH MCNAIR, C. A.

## AUDITORS' REPORT

11th November, 1960.

To the Shareholders,  
UNITED CO-OPERATIVES OF ONTARIO,  
Weston, Ontario.

We have examined the consolidated balance sheet of UNITED CO-OPERATIVES OF ONTARIO and its wholly owned subsidiary as at the 24th September, 1960 and the consolidated statement of operations, contributed surplus and general reserve for the 52 weeks ended the 24th September, 1960. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

We report that, in our opinion, the accompanying consolidated balance sheet, notes to the financial statements, and the consolidated statement of operations, contributed surplus and general reserve present fairly the financial position of the Company as at the 24th September, 1960, and the results of its operations for the 52 weeks ended the 24th September, 1960, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

*Ward, Welch, Hall & McNair*

Chartered Accountants

# notes to financial statements

24th September, 1960

## 1. subsidiaries

The assets, liabilities, income and expense of Co-operators Insurance Association, Co-operators Insurance Agency Limited and Co-operators Life Insurance Association, which are partially owned subsidiaries of United Co-operatives of Ontario, have not been consolidated in the attached financial statements because of the dissimilar nature of their operations. Only dividends received are taken into income. United Co-operatives of Ontario's proportion of the aggregate profits of these subsidiaries for the current fiscal period is \$79,885 in excess of dividends received. Their proportion of the aggregate undistributed profits of these subsidiaries since acquisition is \$348,023.

## 2. income tax

Income taxes have been calculated after deducting \$572,650 in patronage returns. This distribution

of 1960 savings was authorized by the Board of Directors in November, 1960.

## 3. depreciation

Depreciation has been calculated on a straight line basis, plus an additional amount to bring the total depreciation closer to the maximum amount allowable for tax purposes, which is calculated on a diminishing balance basis. The additional amount taken was \$180,000 in 1959 and \$85,000 in 1960.

## 4. consolidation

The accounts of the wholly owned subsidiary, Tend-R-Flesh Limited, which are consolidated, are as at 31st July, 1960. The comparative figures for 1959 do not include this subsidiary because it was acquired during the current year.

# statement of distribution of earnings

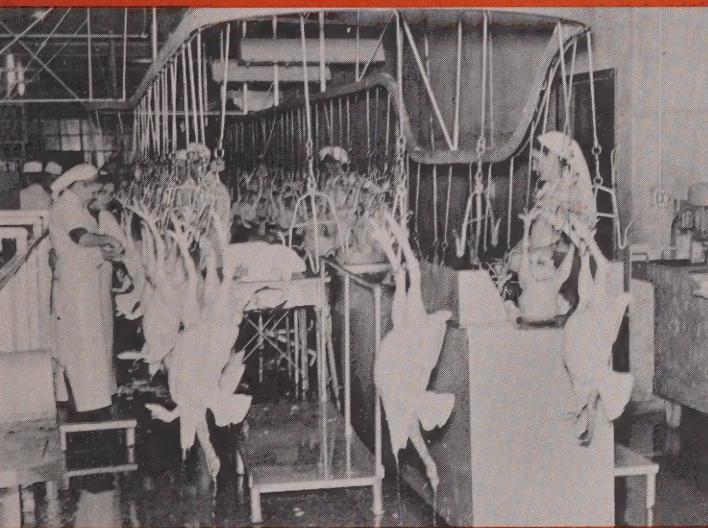
for the year ended September 24th, 1960

(With comparable figures for 1959)

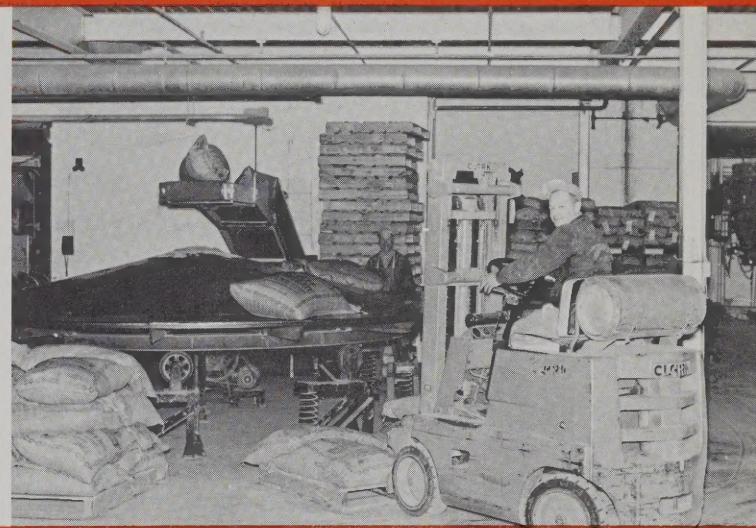
|  | 1960             | 1959               |
|--|------------------|--------------------|
| <b>Net earnings</b>                                  | <b>\$711,478</b> | <b>\$1,083,579</b> |
| PATRONAGE RETURNS TO MEMBERS                         |                  |                    |
| Premix Feeds .....                                   | \$130,962        | \$191,880          |
| Feed Concentrates .....                              | 38,206           | 75,809             |
| Balanced Feeds .....                                 | 35,694           | 54,961             |
| Broiler Feeds .....                                  | 5,160            | —                  |
| Feeding Oil .....                                    | 2,480            | 6,900              |
| Grain Sales .....                                    | 45,737           | 74,208             |
| Co-op Fertilizers .....                              | 83,221           | 141,538            |
| Other Fertilizers .....                              | 9,055            | 8,989              |
| Insecticides and Chemicals .....                     | 5,940            | 8,820              |
| Seed .....   | 8,801            | 20,132             |
| Gasoline, Stove & Fuel Oil .....                     | 121,224          | 134,535            |
| Other Petroleum Products .....                       | 9,981            | 9,719              |
| Automotive .....                                     | 3,147            | 20,631             |
| Propane .....  | 6,146            | 7,871              |
| Hardware .....                                       | 47,283           | 111,161            |
| Farm Mechanical .....                                | 24,210           | 42,583             |
| Livestock .....                                      | 4,845            | 10,145             |
| Grain Marketing .....                                | —                | 2,642              |
|  | 582,092          | 922,524            |
| LESS UNALLOCATED PROVISION<br>OF LAST YEAR .....     | 9,443            | —                  |
| DISTRIBUTION FROM 1959-60                            | 572,649          | 922,524            |
| NET EARNINGS .....                                   |                  |                    |
| SURPLUS BEFORE INCOME TAXES .....                    | 138,829          | 161,055            |
| LESS: PROVISIONS FOR INCOME<br>TAXES ESTIMATED ..... | 135,000          | 55,000             |
| NET SURPLUS FOR YEAR .....                           | 3,829            | 106,055            |
| ADD: EARNED SURPLUS PREVIOUS YEAR .....              | 572,811          | 466,756            |
| TOTAL EARNED SURPLUS .....                           | <u>576,640</u>   | <u>572,811</u>     |



Feed and propane facilities at Kemptville in Eastern Ontario.



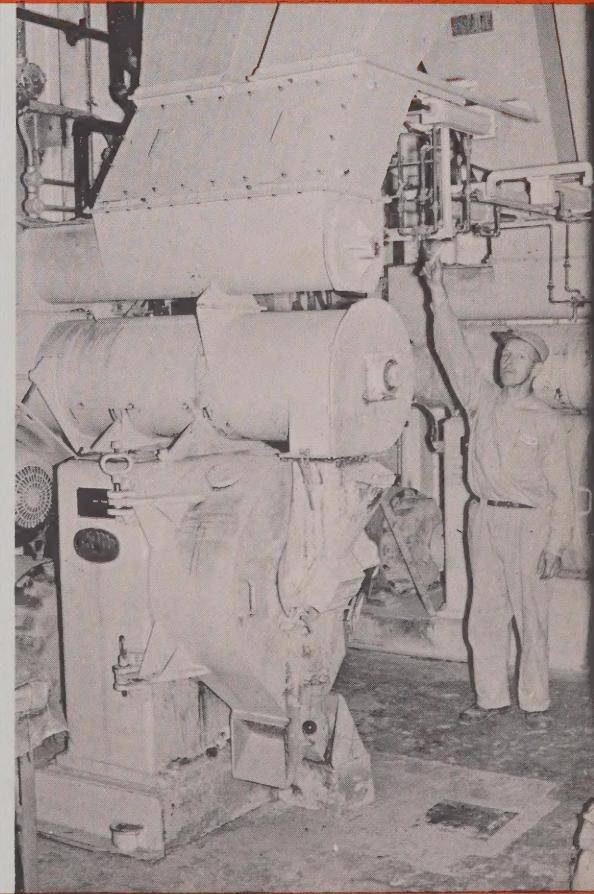
Processing turkeys in Tend-R-Flesh plant, Petersburg.



Finished product ready for the farmer—Guelph Feed Plant.



Co-operative feed plant located at Peterborough.



Pelleting the best feed in Ontario.



**United  
Co-operatives  
of Ontario**

*35 Oak Street, Weston, Ontario*